

UNCLAS HANOI 002719

SIPDIS

STATE FOR EAP/BCLTV AND EB/TPP/ABT/BTT
STATE PASS USTR FOR DSPOONER, CMILLER, EBRYAN
USDOC PASS OTEXA

E.O. 12958: N/A

TAGS: ETRD ECON KTEX VM WTO LABOR

SUBJECT: VIETNAM: TRACKING CHANGES IN TEXTILE/APPREL
EMPLOYMENT AND PRODUCTION

REF: STATE 184238

¶1. In response to reftel, Post provides the FY 2002 and 2003 data on the following issues pertaining to Vietnam:

Total Industrial Production:

Year	USD (millions)
2002	23,800
2003	27,600

Total Textile/Apparel Production:

Year	USD (millions)
2002	1,870
2003	2,200

Textile/Apparel's share of Imports/Exports (percent):

Year	Imports	Exports
2002	8.7 percent	16.4 percent
2003	8.1 percent	18.3 percent

Total Manufacturing Employment:

Year	Employment (millions)
2002	4.07
2003	unavailable

Total Textile/Apparel Employment:

Year	Employment (millions)
2002	1.6 (est.)
2003	2.0 (est.)

¶2. Textiles and apparel are Vietnam's second largest export (after crude oil), earning Vietnam USD 2.73 billion in 2002 and USD 3.69 billion in 2003. Since entry-into-force of the U.S.-Vietnam Bilateral Trade Agreement, Vietnam's exports of textiles and garments to the United States have skyrocketed - befitting from lower MFN rate tariffs. In 2001 Vietnam exported about USD 50 million worth of textiles and garments to the United States in 2001, USD 950 million in 2002 and USD 2.5 billion in 2003. The United States and Vietnam negotiated a bilateral textile agreement that came into effect in May 2003, capping growth in Vietnamese exports of textile and apparel to the United States.

¶3. Vietnam is in the process of acceding to the WTO, but will not complete its accession by the time the WTO Agreement on Textiles and Clothing (ATC) expires on January 1, 2005. For this reason, Vietnam will remain subject to textile quotas on its exports to the United States (and possibly Europe its second largest export market for textiles and garments). It is not yet clear how long U.S. companies that source textiles and garments in Vietnam will continue to do business here - much depends on how much progress Vietnam makes on its WTO accession and whether Vietnam appears on track to meet its goal of acceding before the end of 2005. Employment in the textile and garment sector is likely to remain steady in the short term (first half of 2005), but in the long term employment levels in this key sector will be directly linked to Vietnam's progress on its WTO accession and the decision of U.S. buyers on whether to keep continue sourcing in Vietnam or move their business to countries no longer subject to quotas.

MARINE